

M e m o r a n d u m

To: Panel Members

Date: January 26, 2007

From: Creighton Chan, Manager

Analyst: D. Woodside

Subject: One-Step Agreement for **DIEBOLD, INC.**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Locating Into Or Expansion Within California
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full-Time Employees
 - *Worldwide:* 16,383
 - *In California:* 452
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$331,200
- Substantial Contribution: \$0
- Total ETP Funding: \$331,200
- Total In-kind Contribution: \$448,220
 - *Trainee Wages Paid During Training:* \$448,220
 - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Statewide

INTRODUCTION:

Founded in 1859, Diebold, Inc. (Diebold) develops, manufactures, sells, installs, and services automated self-service transaction systems, electronic and physical security products, election systems, software, and various products used to equip bank facilities and electronic voting terminals. Its products include self-service banking products and automated teller machines, RemoteTeller™ systems, vaults, safe deposit boxes, safes, drive-up banking equipment, electronic voting systems, integrated security solutions, and software solutions and services that process events and transactions. Diebold's primary customers include banks and financial institutions, as well as government agencies and various retail outlets. The company employs 452 Californians at its various facilities located in Brea, Cypress, Dublin, Glendale, Moorpark, Riverside, Roseville, West Sacramento, and San Diego.

Diebold is eligible for standard retraining under the out-of-state competition Title 22 California Code of Regulations, Section 4416(d)(1,2) for the integrated installation, testing, maintenance, and related internal services provided on behalf of its electronic equipment customers located both inside and outside of California.

The company is requesting the Panel's assistance to retrain 160 customer service engineers so that Diebold can continue to meet customer demands in California, which is becoming one of the company's fastest growing markets. Training will be provided in technical/commercial and computer skills so that these frontline workers will have the most advanced hardware and software skills to manufacture and service various products lines and meet expanding customer needs in California.

MEETING ETP GOALS AND OBJECTIVES:

Diebold proposes training that will further the following ETP goals and objectives:

1. To foster job retention in a secure, high-wage occupation.
2. To increase the impact of training on California's economy and target available funds to support a growth priority industry.
3. To support Diebold's training of its California workforce as it expands.

TRAINING PLAN TABLE:

| Grp/Trainee Type | Types Of Training | No. Retain | No. Class/Lab Videocnf. Hrs. | No. CBT Hrs. | Average Cost Per Trainee | Hourly Wage After 90 Days |
|---|---|------------|------------------------------|--------------|-----------------------------|--|
| Job Number 1 Retrainee | MENU: Commercial Skills Computer Skills | 160 | 24 - 200 | 0 | \$2,070 | \$19.49 - \$30.95 |
| Wages After 90-Day Retention | | | | | | |
| <u>Occupation</u> | | | | | | |
| Customer Service Engineer | | | | | | |
| <u>Health Benefits Used To Meet ETP Minimum Wage:</u> | | | | | <u>Turnover Rate</u> | <u>% Of Mgrs & Supervisors To Be Trained:</u> |
| Although the company pays health benefits for trainees, the hourly contribution is not being used to meet ETP minimum wage requirements. | | | | | 19% | 0% |
| <u>Other Employee Benefits:</u> | | | | | | |
| In addition to health and dental, Diebold offers life insurance, accidental and disability insurance, an investment 401K plan, and tuition reimbursement. | | | | | | |

COMMENTS / ISSUES:

➤ ***Frontline Workers***

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee).

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

RECOMMENDATION:

Staff recommends that the Panel approve this proposal based on the company's stated need to retrain its front-line workers in the technical skills necessary to improve customer service and efficiency. If successful, training will assist Diebold to employ more Californians in high wage, high skilled jobs as its market expands.

NARRATIVE:

Diebold representatives report that the California market it serves is dynamic and continues to grow. In addition, the company states that some of its largest customers are on the West Coast. To meet customer requirements and service new product roll-outs, the company must retrain its customer service engineers in the technically-advanced and critical skills outlined below. All training will be conducted in Diebold's classroom/laboratory sites located in Brea and Dublin, California by in-house trainers.

Commercial Skills This training will provide trainees with a thorough understanding of the functionality and maintenance procedures for the technical products and equipment the company has developed to meet customer demands. Training will lead to better product knowledge and understanding allowing the customer service engineers to work more efficiently. Also, training will teach the employees how to monitor products remotely to allow for more preventative maintenance and to recognize problems before they affect the customer. Cross-training will be provided in operational and maintenance skills for equipment across the customer base in California. Diebold must also provide training in a predictive maintenance database that will improve the diagnostic tools for the customer service engineers. This will allow employees to better predict failures by identifying any weak components in the equipment.

Computer Skills training will enable trainees to better utilize multiple systems and software applications to resolve product usage, maintenance, and repair issues. Trainees will improve their software knowledge and system networking skills to more effectively address the installation, configuration, and set-up of all components.

Commitment to Training

The proposed customized ETP curriculum will build on, but not overlap, Diebold's on-going training program. Diebold will continue to fund all training in OSHA-mandated safety regulations, sexual harassment prevention, new-hire orientation, and basic job skills. In addition, all on-the-job training and training for employees not eligible for training under ETP will be provided by Diebold at its own expense. The company reports that its current training budget for its California workforce is estimated at \$900,000. In addition, the company has spent an estimated \$235,000 for a new facility expansion allowing for more California-based training. After the ETP agreement has ended, Diebold states that it will continue to increase its investment in training its California workforce.

SUBCONTRACTORS:

Diebold plans to conduct its own administration.

THIRD PARTY SERVICES:

Ernst & Young, San Francisco, California, assisted Diebold in developing this proposal for an amount not to exceed \$30,000.

DIEBOLD, INC.

MENU CURRICULUM

Class/Lab Hours
24 - 200

Trainees will receive any of the following:

COMMERCIAL SKILLS

- + Automated Teller Machine Skills for Customer Service Engineers
- + First Line Automated Teller Machine Maintenance for Diebold Automated Teller Machines
- + Modular Delivery Systems -1000/i/ix Series Automated Teller Machines
- + Agilis 91x2.0
- + Basic Alarm – Circuits and Devices
- + Bulk Note Acceptor
- + Closed Circuit Television Technologies
- + DMP XR200/XR500 (Digital Monitoring Products)
- + Intelligent Depository Module 5
- + Lanex Digital Video Recorder (Field Training Centers)
- + Pacom RemotecTerminal UnitTU
- + Securestat (Bosch/Radionics)
- + Bulk Note Acceptor/Intelligent Depository Module 5
- + DMP XR500 (Direct Monitoring Products)
- + PassVault

COMPUTER SKILLS

- + Opteva Software/Hardware Class
- + HandNet Software with HandKey Reader

Comment: The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)